



Legislative Audit Division

State of Montana

Report to the Legislature

February 2003

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2002

Montana Historical Society

This report contains four recommendations for improving Historical Society and Heritage Commission operations. The recommendations relate to:

- Complying with federal cash management regulations.
- Complying with the state purchasing card policy.
- Establishing procedures for managing historical treasures.
- Recording financial activity in accordance with state law and policy.

**Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
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02-22

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Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
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February 2003

The Legislative Audit Committee
of the Montana State Legislature:

This report is the result of our financial-compliance audit of the Montana Historical Society, including the Montana Heritage Preservation and Development Commission and the Montana Lewis and Clark Bicentennial Commission, for the two fiscal years ended June 30, 2002. Included in this report are four recommendations to the Historical Society and Heritage Commission to improve operations for associated programs.

The written responses to the audit recommendations are included at the end of the audit report. We thank the Historical Society, Heritage Commission, Bicentennial Commission, and their staff for the assistance and cooperation provided during the audit.

Respectfully submitted,

(Signature on File)

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2002

Montana Historical Society

Members of the audit staff involved in this audit were Cindy S. Jorgenson and Hollie Koehler.

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Appointed and Administrative Officials

Montana Historical Society Board of Trustees

		<u>Term Expires</u>
Ed Henrich, President	Fairmont	7-1-2004
Burton Bosch	Havre	7-1-2005
Ana Brenden	Scobey	7-1-2005
Steve Browning	Helena	7-1-2007
Judy Cole	Hysham	7-1-2006
Thomas Foor	Missoula	7-1-2003
Shirley Groff	Butte	7-1-2005
William M. Holt	Lolo	7-1-2003
Vicki McCarthy	Billings	7-1-2003
Lawrence "Larry" McRae	Missoula	7-1-2006
Robert Morgan	Clancy	7-1-2006
Mary Murphy	Bozeman	7-1-2007
Lee Rostad	Martinsdale	7-1-2004
James Utterback	Helena	7-1-2004
Don Wetzel	Bozeman	7-1-2007

Montana State Historical Preservation Review Board

		<u>Term Expires</u>
Douglas E. Johnson, Chair	Hamilton	10-1-2006
Steve Aaberg	Billings	10-1-2004
Rafael Chacon	Lolo	10-1-2004
Kathy Doeden	Miles City	10-1-2003
Paul Filicetti	Missoula	10-1-2004
Conrad Fisher	Lame Deer	10-1-2006
Chris King	Winnett	10-1-2003
Marcella Knedler	Geraldine	10-1-2005
Germaine White	Pablo	10-1-2003

Montana Heritage Preservation & Development Commission

		<u>Term Expires</u>
Rosana Skelton, Chair	Helena	5-23-2004
John Lawton, Vice Chair	Great Falls	5-23-2004
Maureen Averill	Bigfork	5-23-2005
Brian Cockhill	Helena	5-23-2005
F. W. Howell	West Yellowstone	5-23-2003
Patrick Keim	Helena	5-23-2004
Jeanette McKee	Hamilton	5-23-2005
Judy McNally	Billings	5-23-2004
Senator Dale Mahlum	Missoula	4-24-2003
Mary Oliver	Ennis	5-23-2003
Representative Diane Rice	Harrison	12-31-2004
Arnie Olsen, Director, Historical Society		
Jeff Hagener, Director, Department of Fish, Wildlife & Parks		
Mark Simonich, Director, Department of Commerce		

Appointed and Administrative Officials

Montana Lewis & Clark Bicentennial Commission

		<u>Term Expires</u>
Betty Stone, Chair	Glasgow	10-1-2005
Hal Stearns, Vice Chair	Missoula	10-1-2004
Darrell Kipp	Browning	10-1-2005
Kathy Doeden	Miles City	10-1-2003
John "Jack" Lepley	Fort Benton	10-1-2003
Darrell Martin	Hays	10-1-2003
Wyman McDonald	Polson	10-1-2004
Jeanette Rasmussen	Choteau	10-1-2004
Homer Staves	Billings	10-1-2005
Betsy Baumgart, Director, Travel Montana, Department of Commerce		
Doug Monger, Administrator, Parks Division, Department of Fish, Wildlife & Parks		
Arnie Olsen, Director, Historical Society		

Montana Historical Society Administrative Officials

Arnie Olson, Director, Historical Society
 Jeff Tiberi, Executive Director, Montana Heritage Preservation and
 Development Commission
 Clint Blackwood, Executive Director, Montana Lewis and Clark
 Bicentennial Commission
 Sharon McCabe, Manager, Centralized Services Division

Montana Historical Society

This report documents the results of our financial-compliance audit of the Montana Historical Society (Society), including the Montana Heritage Preservation and Development Commission (Heritage Commission) and the Montana Lewis and Clark Bicentennial Commission for the two fiscal years ended June 30, 2002. The previous audit report contained 11 recommendations. Of these, eight were implemented, two were partially implemented, and one is no longer applicable.

This report contains four recommendations. The recommendations address areas where the Society and Heritage Commission can improve compliance with federal and state laws and regulations and Society policies.

We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and the supporting data on the state's accounting records.

The listing below serves as a means of summarizing the recommendations contained in the report, the responses thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the Heritage Commission work with the Society to comply with federal cash management requirements.....6

Commission Response: Concur. See page B-7

Recommendation #2

We recommend the Society and the Heritage Commission establish procedures to ensure purchasing cards are used in accordance with state policy.6

Society and Commission Response: Concur. See pages B-3 & B-7.

Report Summary

Recommendation #3 We recommend the Society comply with policies governing
the management of its collections and loaned items.....8

Society Response: Concur. See page B-3.

Recommendation #4 We recommend the Society establish procedures to ensure
accounting transactions are properly coded.....9

Society Response: Concur. See page B-4.

Introduction

General

We performed a financial-compliance audit of the Montana Historical Society (Society), including the Montana Heritage Preservation and Development Commission (Heritage Commission) and the Montana Lewis and Clark Bicentennial Commission (Bicentennial Commission), for the two fiscal years ended June 30, 2002. The objectives of the audit were to:

1. Determine if the Society, Heritage Commission, and Bicentennial Commission complied with applicable laws and regulations.
2. Make recommendations, if necessary, for improvement in the management and internal controls of the Society, Heritage Commission, and Bicentennial Commission.
3. Determine if the financial schedules present fairly the results of operations for the two fiscal years ended June 30, 2002.
4. Determine the status of the prior audit recommendations.

This report contains four recommendations to the Society and Heritage Commission. Other areas of concern deemed not to have a significant effect on the successful operations of the Society, Heritage Commission, and Bicentennial Commission are not specifically included in the report, but have been discussed with management. In accordance with section 5-13-307, MCA, we analyzed the cost of implementing the recommendations contained in this report and determined that it was not significant.

Montana Historical Society Background

The Historical Society of Montana was originally organized under the provisions of an act of the Legislative Assembly of the Territory of Montana in 1865. The Society received its first appropriation from the state of Montana in 1891. "An act to Perpetuate the Historical Society of the State of Montana," approved in 1949, established the Society as an agency of state government. The purpose of the Historical Society is to protect, preserve, and interpret Montana and western American history for the use of the public. The Society conducts its operations in the following programs:

Introduction

Administration: The administration program provides supervision and coordination for all programs of the Society. Activities include public information, accounting and business management, financial reporting, fund-raising, and security and building management.

Library: This program incorporates three functional sections: the library, the archives, and the photograph archives. The staff is responsible for collecting, organizing and preserving historical photos, books, and other research materials relevant to Montana. The staff also assists the public and the staff of other Society programs in the use of research material.

Museum: The museum collects fine art and historical archeological and ethnological artifacts that pertain to Montana and its adjoining geographic region. In addition to caring for the Society's museum collections, program staff conduct research, produce exhibits, sponsor public programs, answer reference requests from the public and provide technical assistance to other museums. The museum also provides education and tours for the public.

Publications : This program consists of three areas: Montana, The Magazine of Western History, the Montana Historical Society Press, and the Montana Historical Society Museum Store. Montana, The Magazine of Western History assists the Society in fulfilling its statutory mission of preserving Montana history and providing educational outreach. The publications program is responsible for managing the Society's museum store. The museum store operates in response to public demand (primarily through direct mail) to a broad base of people interested in western history. The proceeds from the store support the Montana Historical Society Press. The Montana Historical Society Press publishes books on the history of Montana and the northern plains.

Historic Sites Preservation: This program provides assistance to people in the state to preserve significant historic and prehistoric buildings and sites. Society staff is available to provide advice,

assistance, and support to people with these sites in their ownership or care.

The Society also performs certain administrative duties for the Heritage Commission and Bicentennial Commission as provided by the enabling legislation for the commissions. In this capacity, the Society directs and supervises commission budgeting, record keeping, reporting and related administrative and clerical functions. The Society also collects and deposits revenue, provides staff, submits reports and budget requests, and distributes required notices, rules or orders on behalf of the commissions. The Director of the Historical Society is responsible for representing the commissions in communications with the Governor.

Heritage Commission Background

The 1997 Legislature established the Heritage Commission for the purpose of acquiring properties, on behalf of the State, which possess outstanding historical value, exceptional qualities worth preserving, are genuinely representative of the State's culture and history, and demonstrate the ability to become economically self-supporting. In May 1997, the Heritage Commission finalized the purchase of properties in Virginia City and Nevada City. The purchase included numerous buildings, hotels, retail operations, theaters, rental homes, one and a half miles of railroad track, a locomotive and railroad cars, many old vehicles, and thousands of artifacts. Since the purchase, the Heritage Commission has operated these properties as an open-air museum. A private individual donated historic Reeder's Alley in Helena to the Heritage Commission in January 2002. By law, the Heritage Commission is attached to the Historical Society for administrative purposes.

Lewis and Clark Bicentennial Commission Background

The 1997 Legislature established the Bicentennial Commission "...for coordinating and promoting observance of Montana's bicentennial commemoration of the Lewis and Clark Expedition and the importance of the roles played by Montana's Indian people to the Lewis and Clark Expedition." The commission may cooperate with national, regional, statewide, and local events promoting the bicentennial; plan and coordinate events; engage in fund-raising

Introduction

activities; and promote public education concerning the Lewis and Clark Expedition and the history and culture of Montana's Indian people at the time of the Lewis and Clark Expedition. By law, the Bicentennial Commission is administratively attached to the Historical Society. Its existence terminates December 31, 2007.

Prior Audit Recommendations

We determined the status of the 11 prior audit recommendations directed to the Historical Society, Bicentennial Commission, and Heritage Commission. One recommendation related to reporting and recording exchange transactions is no longer applicable. Of the recommendations still applicable, the Society and commissions implemented eight and partially implemented two. The following paragraphs discuss the recommendations that have not been fully implemented.

The Heritage Commission has not complied with the cash management provisions applicable to its historical preservation federal award, but has resolved the need for repayment of interest earned on this award. Refer to page 5 for a discussion regarding compliance with the cash management provisions.

The Heritage Commission did not fully implement controls to ensure federal financial and performance reports are submitted in accordance with federal regulation. We determined that during the audit period the Heritage Commission submitted the required performance reports but submitted the required financial reports on an annual rather than a quarterly basis. We discussed the need for quarterly financial reports with Heritage Commission personnel and make no further recommendation at this time.

Findings and Recommendations

Heritage Commission Cash Management

During fiscal year 1999-00, the Heritage Commission received a federal award of \$1 million for historic preservation activities at Virginia City including construction, improvement, and repair or replacement of physical facilities. Federal regulations and the grant agreement signed by the Heritage Commission require the Heritage Commission to ensure minimal time elapses between the request for and use of federal funds. Disbursement of federal cash should occur within days of the related cash receipts.

In the prior audit, we reported that the Heritage Commission was not complying with federal cash management requirements applicable to the federal award. During the current audit, we determined the Heritage Commission continued to not comply with the federal cash management regulations. The Heritage Commission received the entire \$1 million in October 1999. The Heritage Commission incurred expenditures of \$173,782 in fiscal year 1999-00, \$313,448 in fiscal year 2000-01, and \$318,554 in fiscal year 2001-02. At June 30, 2002, \$194,216 of the federal award was not yet expended. Disbursement of federal cash has not occurred within days of the related cash receipts.

The Heritage Commission has applied for additional federal funding. Continued non-compliance with federal cash management requirements can result in additional restrictions being placed on the Heritage Commission. Federal regulations indicate that when the award recipient does not demonstrate a willingness and ability to maintain procedures for minimizing the time elapsing between the receipt and disbursement of federal cash, the federal grantor agency may require cash draws be made on a reimbursement rather than an advance basis. We believe restrictions of this nature will significantly impact the Heritage Commission's ability to conduct historic preservation activities at Virginia City. The Heritage Commission should work with the Historical Society to minimize the amount of federal cash on hand for this award and future awards in order to prevent additional restrictions from being placed on their operations.

Findings and Recommendations

Recommendation #1

We recommend the Heritage Commission work with the Society to comply with federal cash management requirements.

Purchasing Card

The Historical Society and the Heritage Commission utilize the state's purchasing card program. The purchasing card allows an agency to efficiently purchase small dollar items. State policy establishes guidelines state employees must follow when utilizing the card. State employees are prohibited from using the card for any state-related lodging in excess of the authorized limits or for any meals.

We reviewed employee use of purchasing cards in fiscal year 2001-02. We noted employees used the cards to purchase meals costing \$9,051 during the fiscal year. In addition, we identified six instances where hotel payments exceeded the authorized limits by a total of \$147. Employees weren't aware of the limitations established through state policy. The Society and the Heritage Commission should provide the purchasing card policies to employees for their reference and review purchasing card transactions to ensure compliance with state policy.

Recommendation #2

We recommend the Society and the Heritage Commission establish procedures to ensure purchasing cards are used in accordance with state policy.

Historical Treasures

The Society collects fine art and historical archeological and ethnological artifacts pertaining to Montana and its adjoining geographic region. Currently, the museum's collection contains over 47,000 items. In addition, the Society administers a loan program whereby private citizens loan historical treasures to the Society for exhibit or research. The Society has established policy to ensure historical treasures owned by or on loan to the state of Montana are secured and properly managed. The following paragraphs describe instances where the Society is not complying with its policy.

Findings and Recommendations

Loans

Society policy requires agreements be established when private citizens loan historical treasures to the state of Montana on a temporary basis. The loan agreements must be signed by the lender, specify the period of the loan, establish the insured value of the item on loan, and document other pertinent information relative to the use and care of the item. The loan period may not exceed one year unless both parties renew the agreement.

We reviewed a sample of 30 loan agreements and noted that Society personnel are not consistently following the loan policy. Of the agreements reviewed, six were expired by as many as six years, two did not contain the lender's signature, and two did not identify an insured value for the item on loan. The Society assumes the liability of loss for all items on loan, up to the value documented on the loan agreement. When loan agreements are not properly documented or renewed, there is confusion over who is financially responsible for the items. As long as the Society has the items in its possession, it may be held liable for damage or loss regardless of the status of the loan agreement. Society personnel should ensure all loan agreements are current in order to clearly establish responsibility for the items.

Accession Cards

Society policy directs its employees to prepare an accession card for each historical treasure that is either owned by or on loan to the state of Montana. The accession cards contain a detailed description of each item and its location. The cards are required to be accurate and complete.

We reviewed the accession cards for eight historical treasures. We noted that two of these cards did not list the current location of the related item. The risk of undetected loss or theft increases when supporting documentation is not accurate and complete. Society personnel indicated they are in the process of converting from a manual to an automated system for maintaining data on each historical treasure. Society personnel also indicated that due to a lack of resources, volunteers are being utilized to complete the

Findings and Recommendations

conversion. The Society should ensure the information maintained on each item in its collections is accurate and complete.

Recommendation #3

We recommend the Society comply with policies governing the management of its collections and loaned items.

Accounting Errors

During the audit, we identified several accounting transactions on the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) that are not in accordance with generally accepted accounting principles (GAAP). State law requires the department to input all necessary transactions before the end of the fiscal year to present the receipt, use, and disposition of all money and property, for which it is accountable, in accordance with GAAP. The Department of Administration establishes state accounting policy to implement this law. The following paragraphs describe the instances noted.

- ▶ At June 30, 2000, the Society deferred the portion of the Heritage Commission's federal funds that were not yet earned. In fiscal year 2000-01, the Society reduced the deferred revenue balance for the amount of revenue earned during the fiscal year. Society personnel coded the transaction as a prior year revenue adjustment. This type of transaction should not be used to record current activity. Prior year revenue adjustments are overstated by \$826,218 and non-budgeted revenues are understated by \$826,218 in the Special Revenue Fund on the Schedules of Total Revenues & Transfers-In and Changes in Fund Balances for the fiscal year ended June 30, 2001. Society personnel indicated that the SABHRS reports available to them do not provide for easy review of transactions.
- ▶ Visitors to Virginia and Nevada Cities pay fees to enjoy the music machines, railroad, and the open air-museum. The Heritage Commission records these revenues on SABHRS as Rentals, Leases, and Royalties rather than Charges for Services. Under state accounting policy, revenues should be recorded as Charges for Services when a service is provided to individuals. The Rentals, Leases, and Royalties revenue class is used for revenues derived from renting or leasing state property, such as buildings or equipment, to others. On the Schedule of Total

Findings and Recommendations

Revenues & Transfers-In, Charges for Services revenue is understated and Rentals, Leases, and Royalties revenue is overstated in the Special Revenue Fund by \$107,584 in fiscal year 2000-01 and \$109,429 in fiscal year 2001-02. Society personnel agreed that this revenue should be recorded as Charges for Services.

- ▶ During fiscal year 2001-02, the Society used a revenue subclass rather than an expenditure subclass to record three expenditure abatement transactions totaling \$(55,630). The effect of the three transactions is shown on the fiscal year 2001-02 Schedule of Total Expenditures & Transfers-Out under the column title R05. In SABHRS, each transaction must contain a subclass. While some subclasses are tied to appropriations, others represent non-budgeted activity. Society personnel relied on SABHRS edits to prevent the revenue subclass errors from occurring. However, no edit exists within SABHRS to ensure the subclass is appropriate when the activity is non-budgeted.

Society personnel should establish procedures to more thoroughly review accounting transactions prior to submitting them for processing. This may involve reviewing summary reports available within SABHRS on a routine basis to assist in identifying activity that was not recorded as intended.

Recommendation #4

We recommend the Society establish procedures to ensure accounting transactions are properly coded.

Independent Auditor's Report & Society Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Montana Historical Society for each of the fiscal years ended June 30, 2002 and 2001. The information contained in these financial schedules is the responsibility of the Montana Historical Society's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the Society's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Historical Society for each of the fiscal years ended June 30, 2002 and 2001, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

December 10, 2002

HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Permanent Fund</u>
FUND BALANCE: July 1, 2001	\$ <u>(74,854)</u>	\$ <u>1,599,698</u>	\$ <u>435,876</u>	\$ <u>1,005,544</u>
ADDITIONS				
Budgeted Revenues & Transfers-In	2,000	2,380,335	769,724	
Nonbudgeted Revenues & Transfers-In		646,709		(146,465)
Direct Entries to Fund Balance	<u>1,866,056</u>	<u>529,509</u>		
Total Additions	<u>1,868,056</u>	<u>3,556,553</u>	<u>769,724</u>	<u>(146,465)</u>
REDUCTIONS				
Budgeted Expenditures & Transfers-Out	1,888,872	3,100,774	811,729	
Nonbudgeted Expenditures & Transfers-Out		482,718	(82,924)	21,298
Prior Year Expenditures & Transfers-Out Adjustments	<u>(283)</u>	<u>(11,239)</u>		<u>(78)</u>
Total Reductions	<u>1,888,589</u>	<u>3,572,253</u>	<u>728,805</u>	<u>21,220</u>
FUND BALANCE: June 30, 2002	\$ <u><u>(95,387)</u></u>	\$ <u><u>1,583,998</u></u>	\$ <u><u>476,795</u></u>	\$ <u><u>837,859</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonexpendable Trust Fund</u>
FUND BALANCE: July 1, 2000	\$ <u>(122,881)</u>	\$ <u>1,528,690</u>	\$ <u>288,429</u>	\$ <u>701,153</u>	\$ <u>1,141,912</u>
ADDITIONS					
Budgeted Revenues & Transfers-In	2,000	1,463,988	765,267		
Nonbudgeted Revenues & Transfers-In	851	(124,973)	219	(32,661)	(124,635)
Prior Year Revenues & Transfers-In Adjustments		863,632			
Direct Entries to Fund Balance	<u>1,960,470</u>	<u>482,027</u>	<u>15,317</u>	<u>15,225</u>	
Total Additions	<u>1,963,321</u>	<u>2,684,674</u>	<u>780,803</u>	<u>(17,436)</u>	<u>(124,635)</u>
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	1,919,139	2,739,700	736,411		
Nonbudgeted Expenditures & Transfers-Out		456,245	(85,663)	83,571	11,733
Prior Year Expenditures & Transfers-Out Adjustments	<u>(3,845)</u>	<u>17,867</u>	<u>(17,392)</u>		
Total Reductions	<u>1,915,294</u>	<u>3,213,812</u>	<u>633,356</u>	<u>83,571</u>	<u>11,733</u>
FUND BALANCE: June 30, 2001	\$ <u><u>(74,854)</u></u>	\$ <u><u>999,552</u></u>	\$ <u><u>435,876</u></u>	\$ <u><u>600,146</u></u>	\$ <u><u>1,005,544</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund	Special Revenue Fund	Enterprise Fund	Permanent Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits		\$ 155,803			\$ 155,803
Charges for Services	\$ 2,000	2,823	\$ 51,675		56,498
Investment Earnings		(39,443)		\$ (177,253)	(216,696)
Sale of Documents, Merchandise and Property		141,205	664,398	13,715	819,318
Rentals, Leases and Royalties		265,032			265,032
Miscellaneous		397			397
Grants, Contracts, Donations and Abandonments		1,394,119		17,073	1,411,192
Other Financing Sources		2,808	53,651		56,459
Federal		1,104,300			1,104,300
Total Revenues & Transfers-In	2,000	3,027,044	769,724	(146,465)	3,652,303
Less: Nonbudgeted Revenues & Transfers-In	0	646,709	0	(146,465)	500,244
Actual Budgeted Revenues & Transfers-In	2,000	2,380,335	769,724	0	3,152,059
Estimated Revenues & Transfers-In	2,000	3,473,500	1,357,000	0	4,832,500
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ (1,093,165)	\$ (587,276)	\$ 0	\$ (1,680,441)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits		\$ (378,197)			\$ (378,197)
Charges for Services		(3,677)	\$ (108,325)		(112,002)
Investment Earnings		874			874
Sale of Documents, Merchandise and Property		134,205	(476,602)		(342,397)
Rentals, Leases and Royalties		15,032	(2,000)		13,032
Grants, Contracts, Donations and Abandonments		(127,510)			(127,510)
Other Financing Sources		(192)	(349)		(541)
Federal		(674,700)			(674,700)
Federal Indirect Cost Recoveries	\$	(59,000)		\$	(59,000)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ (1,093,165)	\$ (587,276)	\$ 0	\$ (1,680,441)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonexpendable Trust Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS						
Taxes	\$ 164	\$ 248	\$ 53			\$ 465
Charges for Services	2,000	13,170				15,170
Investment Earnings				\$ (32,661)	\$ (147,785)	(180,446)
Sale of Documents, Merchandise and Property		12,275	711,617			723,892
Rentals, Leases and Royalties		241,643				241,643
Miscellaneous	687	898	166			1,751
Grants, Contracts, Donations and Abandonments		955,005			23,150	978,155
Other Financing Sources		15,805	53,650			69,455
Federal		963,603				963,603
Total Revenues & Transfers-In	<u>2,851</u>	<u>2,202,647</u>	<u>765,486</u>	<u>(32,661)</u>	<u>(124,635)</u>	<u>2,813,688</u>
Less: Nonbudgeted Revenues & Transfers-In	851	(124,973)	219	(32,661)	(124,635)	(281,199)
Prior Year Revenues & Transfers-In Adjustments		863,632				863,632
Actual Budgeted Revenues & Transfers-In	<u>2,000</u>	<u>1,463,988</u>	<u>765,267</u>	<u>0</u>	<u>0</u>	<u>2,231,255</u>
Estimated Revenues & Transfers-In	2,500	1,224,100	909,000	0	0	2,135,600
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (500)</u>	<u>\$ 239,888</u>	<u>\$ (143,733)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,655</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS						
Charges for Services	\$ (500)	\$ (179,830)				(180,330)
Sale of Documents, Merchandise and Property		2,175	\$ (141,383)			(139,208)
Rentals, Leases and Royalties		121,643	(2,000)			119,643
Grants, Contracts, Donations and Abandonments		298,461				298,461
Other Financing Sources		805	(350)			455
Federal		53,634				53,634
Federal Indirect Cost Recoveries		(57,000)				(57,000)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (500)</u>	<u>\$ 239,888</u>	<u>\$ (143,733)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,655</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Administration Program	Heritage Commission	Historic Preservation Program	Lewis & Clark Commission	Library Program	Museum Program	Publications Program	R05	Total
PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT									
Personal Services									
Salaries	\$ 676,420	\$ 525,557	\$ 286,328	\$ 78,461	\$ 418,208	\$ 311,405	\$ 267,031	\$ 0	\$ 2,563,410
Employee Benefits	176,252	152,245	76,693	19,588	120,245	92,609	79,254	0	716,886
Personal Services-Other	339						52,056		52,395
Total	<u>853,011</u>	<u>677,802</u>	<u>363,021</u>	<u>98,049</u>	<u>538,453</u>	<u>404,014</u>	<u>398,341</u>	<u>0</u>	<u>3,332,691</u>
Operating Expenses									
Other Services	193,653	237,185	56,242	210,208	65,190	73,252	41,957	460	878,147
Supplies & Materials	95,571	136,141	29,438	5,431	48,273	25,972	15,185		356,011
Communications	34,064	24,457	11,930	10,720	10,694	13,775	48,051		153,691
Travel	59,717	30,806	8,562	12,655	8,614	5,494	6,199	(506)	131,541
Rent	187,511	10,562	12,828	4,806	4,596	102,202	845		323,350
Utilities	453	27,722							28,175
Repair & Maintenance	11,490	51,758	1,150		5,913	55	68		70,434
Other Expenses	89,379	85,656	11,354	18,782	8,359	10,000	(60,660)	(55,584)	107,286
Goods Purchased For Resale	12,912	13,612			1,301		258,896		286,721
Total	<u>684,750</u>	<u>617,899</u>	<u>131,504</u>	<u>262,602</u>	<u>152,940</u>	<u>230,750</u>	<u>310,541</u>	<u>(55,630)</u>	<u>2,335,356</u>
Equipment & Intangible Assets									
Equipment	15,655	1,053			17,419	1,291			35,418
Total	<u>15,655</u>	<u>1,053</u>			<u>17,419</u>	<u>1,291</u>			<u>35,418</u>
Capital Outlay									
Buildings		28,771							28,771
Other Improvements		(49,946)							(49,946)
Total		<u>(21,175)</u>							<u>(21,175)</u>
Grants									
From State Sources				127,203					127,203
From Federal Sources			206,031	88,921					294,952
From Other Sources	49,961								49,961
Total	<u>49,961</u>		<u>206,031</u>	<u>216,124</u>					<u>472,116</u>
Transfers									
Accounting Entity Transfers					2,809		53,652		56,461
Total					<u>2,809</u>		<u>53,652</u>		<u>56,461</u>
Total Expenditures & Transfers-Out	\$ <u>1,603,377</u>	\$ <u>1,275,579</u>	\$ <u>700,556</u>	\$ <u>576,775</u>	\$ <u>711,621</u>	\$ <u>636,055</u>	\$ <u>762,534</u>	\$ <u>(55,630)</u>	\$ <u>6,210,867</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 838,701		\$ 64,911		\$ 631,235	\$ 300,089	\$ 53,653		\$ 1,888,589
Special Revenue Fund	700,404	\$ 1,275,579	635,645	\$ 576,775	12,441	329,340	42,115	\$ (46)	3,572,253
Enterprise Fund	45,860				65,137	6,626	666,766	(55,584)	728,805
Permanent Fund	18,412				2,808				21,220
Total Expenditures & Transfers-Out	<u>1,603,377</u>	<u>1,275,579</u>	<u>700,556</u>	<u>576,775</u>	<u>711,621</u>	<u>636,055</u>	<u>762,534</u>	<u>(55,630)</u>	<u>6,210,867</u>
Less: Nonbudgeted Expenditures & Transfers-Out	347,226	40,772	13,613	14,608	8,441	41,576	10,486	(55,630)	421,092
Prior Year Expenditures & Transfers-Out Adjustments	<u>(1,314)</u>	<u>447</u>	<u>(5,453)</u>	<u>(5,279)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,599)</u>
Actual Budgeted Expenditures & Transfers-Out	1,257,465	1,234,360	692,396	567,446	703,180	594,479	752,048	0	5,801,374
Budget Authority	1,359,113	2,173,439	880,770	1,037,912	721,836	656,021	812,780	0	7,641,871
Unspent Budget Authority	\$ <u>101,648</u>	\$ <u>939,079</u>	\$ <u>188,374</u>	\$ <u>470,466</u>	\$ <u>18,656</u>	\$ <u>61,542</u>	\$ <u>60,732</u>	\$ <u>0</u>	\$ <u>1,840,497</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 21,450		\$ 95		\$ 8,764	\$ 1,113			\$ 31,422
Special Revenue Fund	41,710	\$ 939,079	188,279	\$ 470,466		59,436	\$ 23,487		1,722,457
Enterprise Fund	38,488				9,892	993	37,245		86,618
Unspent Budget Authority	\$ <u>101,648</u>	\$ <u>939,079</u>	\$ <u>188,374</u>	\$ <u>470,466</u>	\$ <u>18,656</u>	\$ <u>61,542</u>	\$ <u>60,732</u>	\$ <u>0</u>	\$ <u>1,840,497</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

HISTORICAL SOCIETY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT	Program (Subclass) Not Specified	Administration Program	Heritage Commission	Historic Preservation Program	Lewis & Clark Bicentennial Commission	Library Program	Museum Program	Publications Program	Total
Personal Services									
Salaries		\$ 629,936	\$ 430,933	\$ 275,039	\$ 75,131	\$ 417,944	\$ 314,431	\$ 255,493	\$ 2,398,907
Employee Benefits		154,620	116,127	69,935	18,434	118,007	88,186	72,002	637,311
Personal Services-Other								(8,407)	(8,407)
Total		<u>784,556</u>	<u>547,060</u>	<u>344,974</u>	<u>93,565</u>	<u>535,951</u>	<u>402,617</u>	<u>319,088</u>	<u>3,027,811</u>
Operating Expenses									
Other Services		169,478	188,476	67,064	51,790	38,086	37,967	65,802	618,663
Supplies & Materials		45,733	125,107	22,574	1,361	29,868	31,702	15,505	271,850
Communications	\$ (7,726)	28,775	54,873	11,060	8,704	10,531	13,312	31,768	151,297
Travel	6	64,143	27,467	17,483	15,858	11,291	13,242	8,786	158,276
Rent		192,474	9,251	17,228	3,855	7,035	93,365	12,109	335,317
Utilities		167	21,158						21,325
Repair & Maintenance		21,167	32,420	1,344	353	6,901	103	348	62,636
Other Expenses	2,184	87,313	11,141	11,333	8,134	10,207	16,130	(57,142)	89,300
Goods Purchased For Resale		39,414	10,058					231,000	280,472
Total	<u>(5,536)</u>	<u>648,664</u>	<u>479,951</u>	<u>148,086</u>	<u>90,055</u>	<u>113,919</u>	<u>205,821</u>	<u>308,176</u>	<u>1,989,136</u>
Equipment & Intangible Assets									
Equipment	<u>(202)</u>	<u>13,786</u>	<u>82,050</u>			<u>14,015</u>			<u>109,649</u>
Total	<u>(202)</u>	<u>13,786</u>	<u>82,050</u>			<u>14,015</u>			<u>109,649</u>
Capital Outlay									
Buildings			89,949						89,949
Other Improvements		<u>27,750</u>							<u>27,750</u>
Total		<u>27,750</u>	<u>89,949</u>						<u>117,699</u>
Grants									
From State Sources					293,850				293,850
From Federal Sources				176,421	8,196	31,210			215,827
From Other Sources		<u>47,910</u>		<u>1,432</u>					<u>49,342</u>
Total		<u>47,910</u>		<u>177,853</u>	<u>302,046</u>	<u>31,210</u>			<u>559,019</u>
Transfers									
Accounting Entity Transfers		<u>993</u>				<u>(190)</u>		<u>53,649</u>	<u>54,452</u>
Total		<u>993</u>				<u>(190)</u>		<u>53,649</u>	<u>54,452</u>
Total Expenditures & Transfers-Out	\$ <u>(5,738)</u>	\$ <u>1,523,659</u>	\$ <u>1,199,010</u>	\$ <u>670,913</u>	\$ <u>485,666</u>	\$ <u>694,905</u>	\$ <u>608,438</u>	\$ <u>680,913</u>	\$ <u>5,857,766</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund		\$ 819,620		\$ 33,788		\$ 566,523	\$ 441,445	\$ 53,918	\$ 1,915,294
Special Revenue Fund		611,708	\$ 1,199,010	637,125	\$ 485,666	81,266	158,693	40,344	3,213,812
Enterprise Fund	\$ 2,184					44,367	8,300	578,505	633,356
Expendable Trust Fund	69	75,356						8,146	83,571
Nonexpendable Trust Fund	<u>(7,991)</u>	<u>16,975</u>				<u>2,749</u>			<u>11,733</u>
Total Expenditures & Transfers-Out	<u>(5,738)</u>	<u>1,523,659</u>	<u>1,199,010</u>	<u>670,913</u>	<u>485,666</u>	<u>694,905</u>	<u>608,438</u>	<u>680,913</u>	<u>5,857,766</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(5,738)	426,532	10,657	32,305	17,436	20,019	24,622	(59,947)	465,886
Prior Year Expenditures & Transfers-Out Adjustments		<u>(1,126)</u>	<u>(38)</u>	<u>(3,861)</u>	<u>(225)</u>	<u>250</u>	<u>(686)</u>	<u>2,317</u>	<u>(3,369)</u>
Actual Budgeted Expenditures & Transfers-Out	0	1,098,253	1,188,391	642,469	468,455	674,636	584,502	738,543	5,395,249
Budget Authority	0	1,184,721	2,534,326	713,220	485,965	732,909	685,840	789,766	7,126,747
Unspent Budget Authority	\$ <u>0</u>	\$ <u>86,468</u>	\$ <u>1,345,935</u>	\$ <u>70,751</u>	\$ <u>17,510</u>	\$ <u>58,273</u>	\$ <u>101,338</u>	\$ <u>51,223</u>	\$ <u>1,731,498</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund		\$ 718		\$ 1,012		\$ 28,931	\$ 8,339		\$ 39,000
Special Revenue Fund		85,750	\$ 1,345,935	69,739	\$ 17,510	16,149	92,168		1,627,251
Enterprise Fund						13,193	831	\$ 51,223	65,247
Unspent Budget Authority	\$ <u>0</u>	\$ <u>86,468</u>	\$ <u>1,345,935</u>	\$ <u>70,751</u>	\$ <u>17,510</u>	\$ <u>58,273</u>	\$ <u>101,338</u>	\$ <u>51,223</u>	\$ <u>1,731,498</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial scedules beginning on page A-11.

Montana Historical Society

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2002

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The Montana Historical Society (Society) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, Special Revenue, and Permanent). In applying the modified accrual basis, the Society records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the Society incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Society to record the cost of employees' annual leave and sick leave when used or paid.

The Society uses accrual basis accounting for its Proprietary (Enterprise) fund category. Under the accrual basis, as defined by state accounting policy, the Society records revenues in the accounting period earned when measurable and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Society receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

Notes to the Financial Schedules

The 2001 Legislature modified the fund structure established in section 17-2-102, MCA, to implement the changes made to generally accepted accounting principles (GAAP) by Governmental Accounting Standards Board (GASB) Statement 34. These changes were effective July 1, 2001. Society accounts are organized in funds according to state law applicable at the time transactions were recorded. The Society uses the following funds:

Governmental Fund Category

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specific purposes. In fiscal year 2000-01, some of this activity was reported in an Expendable Trust Fund. Society Special Revenue Funds include federal programs, the historic sites and signs program, and donations. The Montana Heritage Preservation and Development Commission (Heritage Commission) and Montana Lewis and Clark Bicentennial Commission (Bicentennial Commission) operations are also accounted for in the Special Revenue Fund.

Permanent Fund - to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Society's programs. In fiscal year 2000-01 this activity was reported in the Nonexpendable Trust Fund. The Society uses this fund for private donations for which the donor permitted the use of investment earnings on the donation, but prohibited the use of the donation itself.

Proprietary Fund Category

Enterprise Fund - to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Notes to the Financial Schedules

Society Enterprise Funds include the publications program, which includes merchandise and magazine sales; Historical Society Press operations; and library and museum photocopy revenue.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. Each agency expends cash or other assets from the statewide fund when it pays General Fund obligations. The Society's outstanding liabilities exceed the assets the agency has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2002 and 2001.

3. Expenditure Program (Subclass)

Non-Budgeted Activity (Subclass)

As part of the implementation of a new accounting system in fiscal year 1999-00, state officials determined that a subclass designation would identify the program to which expenditures should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a subclass. The program designations in the Schedules of Total Expenditures & Transfers-Out are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a subclass code identifying the expenditure program in which the activity occurred until September 2000. This new edit requires that all expenditure transactions entered through the general ledger include a subclass value. This non-budgeted activity is included in the column titled Program (Subclass) Not Specified on the Schedule of Total Expenditures & Transfers-Out for the fiscal year ended June 30, 2001.

Expenditures With R05 (Subclass)

During fiscal year 2001-02, there were three expenditure abatement transactions recorded using a revenue subclass rather than an expenditure subclass. The effect of the three transactions is shown on the fiscal year 2001-02 Schedule of Total Expenditures & Transfers-Out under the column title R05. Of the operating expenses

Notes to the Financial Schedules

recorded through the three transactions, \$(55,124) and \$(506) should have been charged to the Publications and Administration subclasses, respectively.

4. Direct Entries to Fund Balance

Direct entries to fund balances in the General, Special Revenue, Enterprise, and Expendable Trust Funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies. During both fiscal years 2000-01 and 2001-02, the Society received support for certain programs from other agencies. In the General Fund, the Society receives support for its operations. In the Special Revenue Fund, the Society receives an allocation of the accommodations tax for the historic sites and signs program as well as for Heritage Commission operations. During fiscal year 2000-01, the Society established a new trust fund in the Expendable Trust Fund using moneys previously recorded in the Special Revenue Fund. The Board of Trustees also approved a gift from the Expendable Trust Fund to the Enterprise Fund for the purchase of the bookstore's new retail sales and accounting system.

5. Related Party Transactions

The Montana History Foundation (Foundation) exists to promote, assist, and benefit the operations of the Society and the library, museums, art galleries, and other facilities operated and maintained by the Society. The Foundation may also advise and assist the trustees of the Society regarding fund-raising activities. The Bicentennial and Heritage Commissions have entered into separate agreements with the Foundation for assistance in fundraising and related activities. Members of the Board of Directors of the Foundation are to include the current president of the Historical Society Board of Trustees (Board) or a designated representative from the Board. The Board of Directors of the Foundation may authorize an agent from the Society to enter into contracts on behalf of the Foundation. Certain checks, orders for payments, or other notices of indebtedness of the Foundation require two signatories, one of whom may be the Director of the Montana Historical Society.

The Society and the Bicentennial and Heritage Commissions received a combined total of \$111,471 and \$67,490 from the

Notes to the Financial Schedules

Foundation in fiscal years 2000-01 and 2001-02, respectively, for support of programs. In exchange for these services, the Society and the Bicentennial and Heritage Commissions paid the Foundation \$34,035 in fiscal year 2000-01 and \$164,632 in fiscal year 2001-02.

6. Volunteers

The Society and the Heritage Commission personnel rely on a wide range of volunteers in accomplishing the purposes assigned to them in state law. The Society uses volunteers in various capacities, including but not limited to, operating the museum store, giving tours, conducting research, creating exhibits, working in the archives, and providing administrative office assistance. Volunteers contributed 8,328 and 9,556 hours to the Society in calendar years 2000 and 2001, respectively. The Heritage Commission uses volunteers primarily for providing tours and carpentry and maintenance work. Volunteers contributed 4,941 and 4,744 hours to the Heritage Commission in calendar years 2001 and 2002, respectively.

Agency Response



MONTANA HISTORICAL SOCIETY

225 North Roberts ♦ P.O. Box 201201 ♦ Helena, MT 59620-1201
♦ (406) 444-2694 ♦ FAX (406) 444-2696 ♦ www.montanahistoricalsociety.org ♦

RECEIVED

February 13, 2003

FEB 14 2003

LEGISLATIVE AUDIT DIV.

Scott A. Seacat, Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena, Mt 59620-1705

RE: Montana Historical Society Audit

Dear Scott:

The response to the audit recommendations for the Montana Historical Society are as follows:

Recommendation #2 *We recommend the Society and the Heritage Commission establish procedures to ensure purchasing cards are used in accordance with state policy.*

The Society concurs with this recommendation.

Although Society employees have read and signed the Purchasing "Cardholder Agreement", we have provided the Cardholder responsibilities to the employees again. We will be requiring an updated signature on the "Cardholder Agreement". In addition, we will be establishing internal policies and guidelines. These "Basic Purchasing Methods and Issues" will be posted on the Society's shared agency computer drive. We will establish a more thorough review process to ensure the cards are being used according to state policy. We will also work with Department of Administration to provide clarification on certain uses of the card, such as conference meals.

Recommendation #3 *We recommend the Society comply with policies governing the management of its collections and loaned items.*

The Society concurs with this recommendation.

The Society Museum is in the process of converting from a manual system of records management using accession cards, location files, document files, photo files, loan files and subject files to a computerized database for the collections. The Museum Registrar position was vacant from December 2001 through April 2002; the current Registrar is working on backlog, assessing procedures, and systematically implementing the computerized collections database. Because of the vacancy in the Registrar position, a backlog in loan renewals was created.

Once the backlog is entered into the new system, we can ensure the accession cards are current and contain all of the information required. The control for locating artifacts has not been Accession Cards. The controls we employed were location cards, which had to be changed manually each time an artifact moved. Because we are in the midst of changing collections management systems, the two items not found by the Auditors were more difficult to find, but not impossible. One of the items was on exhibit. We use an exhibit inventory to document movement from storage to an exhibit, and this then is transferred to the location file, or with the complete implementation of the new system, inputted into the collections database. The item on exhibit was on the exhibit inventory, but not yet inputted into the new collections database. The other artifact had a location card, but the location given was general; the Registrar found the exact location within five minutes.

All of those lapsed loans cited by the Auditors have since been renewed. In some of the instances cited loans were not renewed. In other cases, loan documentation was not complete due to unresponsiveness of some lenders. Despite repeated attempts at gaining signatures and loan insurance values, some of the lenders just do not respond in a timely manner. To remedy this, we are developing a procedure to follow in those instances. Currently, we are working with the Attorney General's office to help us craft new language to add to the loan forms. These new loan procedures will be able to handle these cases more effectively.

In another case, the auditors identified a loan as not renewed, but it was in fact a returned loan. A signed Returned Loan Receipt was in the same file, but it was not viewed. Another loan identified as not renewed was also returned to the lender, but no documentation for this was in the file. In that instance, the loan was to another Program in the Society, and because they had no procedures, we completed the records. However, the other Program returned the materials without procuring a Returned Loan Receipt. We are reviewing our policies and procedures in regard to internal loan services.

The Museum has been working towards a better method of records management for many years. First, we instituted a number of improvements to our existing manual system – adding tickler files, document files, and location cards where there were none. Only within the last few years have we been able to prepare for and purchase a computerized museum collection database useable for museum collections — this was made possible because the Museum obtained a Federal grant to do so; state funds have not been available. We have only recently begun inputting data on museum artifacts. Artifacts now coming in are catalogued directly into the database, and we are entering the backlogged catalogued items as funds and staff allow.

Recommendation #4 *We recommend the Society establish procedures to ensure accounting transactions are properly coded.*

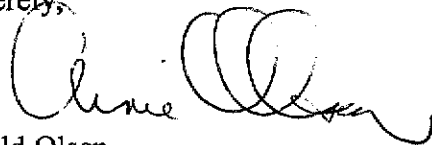
The Society concurs with this recommendation.

The revenue accounts for the music machines, railroad, and the open air-museum have been corrected. The revenue accounts are now properly classified.

The other instances do not require correction since they involve prior year revenues and expenditures. The deferred revenue instance occurred at year-end, a time when the Society's limited staff is working numerous hours of comp time to make all the adjusting entries to close the fiscal year. Even though review time is at a premium during this period, we will implement a more thorough review process at year-end. The other accounting transaction involving a revenue subclass by an expenditures transaction occurred as a result of the Society employees relying on SABHRS edits to not allow these types of transactions. As a result of this finding, we will be running queries periodically to ensure these types of transactions do not occur and to ensure all transactions are recorded accurately.

The Society will strengthen its review procedures involving SABHRS queries to ensure errors do not occur in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Arnold Olsen', with a stylized, looping flourish at the end.

Arnold Olsen
Director

AO:rha

MONTANA HERITAGE Preservation & Development COMMISSION

RECEIVED

FEB 14 2003

LEGISLATIVE AUDIT DIV.

14th February 2003

Cindy S. Jorgenson, Senior Auditor
Room 160, State Capitol
P.O.B. 201705
Helena, Montana 59620-1705

Dear Ms. Jorgenson:

Thank you for your letter of 5th February 2003 concerning our financial matters.

Our response to the recommendations follows.

Recommendation #1. We recommend that the Heritage Commission work with the Society to comply with federal cash management requirements.

The Commission concurs. At the beginning of CY 2003 we had approximately \$80,000 left in the federal grant. At current expenditure rates this money will be depleted by the end of April, 2003. At that time we will be in compliance.

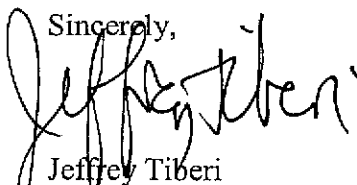
This was our first grant. It was very unusual in that the cash was provided to the State of Montana up front in one lump sum. Additional grants received since then have been managed in a manner suitable to the auditors.

Recommendation #2. We recommend that the Society and the Heritage Commission establish procedures to ensure purchasing cards are used in accordance with state policy.

The Commission concurs. The Commission will work with the Department of Administration to establish a Commission policy that meets all legal requirements. This will be accomplished by 15th April 2003.

Thank you for bringing these matters to our attention and suggesting ways to correct them. We appreciate the role of the auditors as necessary to improve the way we conduct state business. It was a pleasure working with you and Hollie Koehler.

Sincerely,


Jeffrey Tiberi
Executive Director

MHC